



**Environmental Services Accounts Payable
2nd Follow – Up Audit
No. A2013-02**

Issued by the
Internal Audit Office
October 31, 2012

**City of El Paso
Internal Audit Office
Environmental Services Accounts Payable 2nd Follow-Up Audit No. A2013-02**

EXECUTIVE SUMMARY

The Internal Audit Office conducted a 2nd Follow-Up Audit on the Environmental Services Accounts Payable Audit Report dated April 23, 2010. The original Audit Report contained (4) four findings. Upon completion of the audit fieldwork, we have determined the status of the recommendation for each audit finding as outlined in the table below:

Finding No.	Description of Findings	Status
1	Environmental Services' Accounts Payable function is not obtaining a consistent indication of Management's approval for payment on invoices 69.70% of the time. We noted invoices with a set of initials and date only which is not a clear indication of approval. We also identified invoices that had an "Approved By" stamp with signature and date blocks which clearly indicates an approval.	Implemented During 1 st Follow-Up
2	Environmental Services' Accounts Payable function is not processing transactions or paying invoices in a timely manner 31.82% of the time.	Implemented During 1 st Follow-Up
3	Environmental Services' Accounts Payable function is not reconciling Travel Requests 66% of the time.	In Progress Management will assume the risk.
4	Environmental Services' Accounts Payable function is not verifying or recalculating invoices.	Implemented During 1 st Follow-Up

For a detailed explanation of Finding #3 and the current observation please refer to the appropriate finding contained in the body of this Audit Report.

**City of El Paso
Internal Audit Office
Environmental Services Accounts Payable 2nd Follow-Up Audit No. A2013-02**

BACKGROUND

The *Generally Accepted Government Auditing Standards*, Standard 4.05 and 6.36, and the *International Standards for the Professional Practice of Internal Auditing*, Standard 2500.A1, require a post audit follow-up on all audit recommendations made in order to ascertain that appropriate corrective action is taken to address reported audit findings. The Internal Audit Office has conducted a 2nd Follow-Up Audit of the Environmental Services Accounts Payable Report dated April 23, 2010. The 1st Follow-Up Audit Report is dated February 20, 2012.

AUDIT OBJECTIVES

The audit objective was to determine the status of one (1) pending recommendation found to be “In Progress” during the 1st Follow-Up Audit.

AUDIT SCOPE

The 2nd Follow-Up Audit was limited to a review of one (1) finding and recommendation detailed in the “*Environmental Services Accounts Payable Audit*” dated April 23, 2010. The audit period covered the operations of the Environmental Services Department Accounts Payable function from March 1, 2012 to August 31, 2012.

AUDIT METHODOLOGY

To achieve our audit objectives we:

- Obtained an understanding of the City of El Paso’s Accounts Payable Manual (dated July 2011) and Travel Manual (dated November 2007).
- Reviewed five Travel Requests to determine if the Environmental Services Department is properly reviewing Travel Requests.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This audit was also conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

**City of El Paso
Internal Audit Office
Environmental Services Accounts Payable 2nd Follow-Up Audit No. A2013-02**

***ORIGINAL FINDINGS, ORIGINAL RECOMMENDATIONS, MANAGEMENT'S RESPONSE TO
ORIGINAL FINDINGS, FIRST FOLLOW-UP OBSERVATION AND STATUS, CURRENT
OBSERVATION AND STATUS***

Based on the results of follow-up test work, each original finding recommendation will be designated with one of the following four status categories:

<i>Implemented</i>	The finding has been addressed by implementing the original corrective action or an alternative corrective action.
<i>In Progress</i>	The corrective action has been initiated but is not complete.
<i>Not Applicable</i>	The recommendation is no longer applicable due to changes in procedures or changes in technology.
<i>Not Implemented</i>	The recommendation was ignored, there were changes in staffing levels, or management has decided to assume the risk.

Original Finding 3

Travel Requests are not Reconciled

Based on our review, the Environmental Services Accounts Payable function is not properly reviewing Travel Requests in 2 out of 3 instances (66%).

Type of Voucher	Number of Vouchers
Non Travel	63
Travel	3
Total	66

- Two of the three travel requests or 66% had the following exceptions when reviewed against the City's Travel Manual.
 - The reconciliation calculations were incorrect as follows:
 - Three meals were not prorated for travel days as required by the City's Travel Policy.
 - Two travel requests had miscellaneous expenses of \$10.00 charged with no receipts to support the expense.
 - Monies due the City of El Paso that were not paid by the employee within the ten days of return as required by the City's Travel Manual where:
 - \$21.20 due for travel request #1 which is 149 days past due as of 3/19/2010.
 - \$24.20 due for travel request #2 which is 120 days past due as of 3/19/2010.
 - Motor vehicle rental sales taxes of \$9.08 were paid on a rental car contract. The City of El Paso is exempt from sales tax under Texas Tax Code section 152.084.

City of El Paso
Internal Audit Office
Environmental Services Accounts Payable 2nd Follow-Up Audit No. A2013-02

Recommendation

The Environmental Service's Employee should reimburse the City of El Paso \$45.40 for their travel related expenses.

Environmental Services should comply with the City of El Paso's Travel Manual requirements for meal calculations, receipt requirements, and employee reimbursements.

Environmental Services should review its travel related expense on car rentals to avoid payment of State Sales Taxes.

Management's Response

Travel requests referenced above were reconciled and overpayments (as calculated at the time) were reimbursed to the city prior to the 3/19/2010 audit date. The above reference to: "monies due the City of El Paso" represent a recalculation of per diem amounts and disallowed miscellaneous charges. Environmental Services did not use flight schedules when calculating per diems and consequently over advanced the employee. This was a systemic error identified through audit. In the absence of a full review of all prior department travel reconciliations it would be discriminatory to single out this individual for repayment thus resulting in selective enforcement of the rules.

It is the department's opinion that the miscellaneous charges without receipts are legitimate charges and do not require reimbursement from the employee. Per the COEP's 2007 Travel Manual, "Porter services or tips shall only be what is reasonable and necessary and should not exceed \$10.00 total. Items under this limit shall not require any receipts". In accordance with this directive, Environmental Services does not require receipts for incidentals less than \$10.00 and has not deviated from the manuals directives. As such no further action is required.

Appropriate staff has been advised of these findings. Additional training to include overall review of the City of El Paso travel manual, per diem prorating, and sales tax exemption rules will be conducted. Additional staff will be cross trained and designated as back-up for travel reconciliations to facilitate timely review.

Responsible Party

Deborah Strom, Department Administrative Manager

Implementation Date

June 3, 2010

**City of El Paso
Internal Audit Office
Environmental Services Accounts Payable 2nd Follow-Up Audit No. A2013-02**

Chief Internal Auditor's Response

In reviewing the Travel Requests in question, there is no indication that the \$10.00 was paid for baggage handling. The only support provided is that the \$10.00 was a *Miscellaneous Expense*. Also noted is that the employee was paid a Per Diem rate of \$56.00 and \$71.00 respectively, which should reimburse the employee for meals and incidentals (tips). Therefore the employee is not entitled to claim the additional \$10.00 for baggage handling.

The Environmental Services Department needs to be more critical in their calculation of Per Diem rates and reimbursements to employees in the future. The amounts in question are minimal but could represent a more significant issue in the way travel expenses are handled by the Environmental Services Department.

First Follow-Up Observation

Two Travel Requests were tested to determine if the Environmental Services Department is properly reviewing Travel Requests and complying with the requirements stated in the City of El Paso Travel Manual. The results of our testing are outlined below:

- Two out of two (100%) Travel Requests included a Miscellaneous Expense of \$10.00 with no receipt(s) to support the expense. It appears that the \$10.00 is for Tips and Baggage Handling. Included in these two Travel Requests were Per Diem rates of \$213.00 and \$122.00, respectively, for Meals and Incidental Expenses. The \$10.00 allowance for Tips or Baggage Handling is already included in the Per Diem rates, per GSA Guidelines. Therefore, the \$10.00 Miscellaneous Expenses is an unallowable expense.
- Two out of two (100%) Travel Requests were not approved by the employee's supervisor after the travel was completed.
- One out of two (50%) Travel Requests was not approved by the employee's supervisor before the travel was performed. Approval was obtained 26 days after the return date.
- One out of two (50%) Travel Requests had the amount due to the employee for Meals and Incidental Expenses calculated incorrectly. The calculated amount was understated by \$8.30.
- One out of two (50%) Travel Requests was not reconciled after the travel was completed.

First Follow-Up Status

In Progress

City of El Paso
Internal Audit Office
Environmental Services Accounts Payable 2nd Follow-Up Audit No. A2013-02

Current Observation

Five Travel Requests were tested to determine if the Environmental Services Department is properly reviewing Travel Requests and complying with the requirements stated in the City of El Paso Travel Manual. The results of our testing are outlined below:

- Two out of five (40%) Travel Requests contained miscalculated Meals and Incidental amounts.
 - One travel advance was overpaid \$21.30.
 - One travel advance was underpaid \$21.30.
- One out of five (20%) Travel Request Forms was not properly reconciled within ten (10) working days upon completion of the travel. The “Expense Report” and “Approvals After Travel” sections of the Travel Request Form were also not completed.

Status

In Progress

The Environmental Services Department will assume the responsibility of ensuring that travel requests are properly reviewed and in compliance with the City of El Paso’s Travel Manual. The Internal Audit Office will not be conducting another Follow-Up Audit on this finding.

City of El Paso
Internal Audit Office
Environmental Services Accounts Payable 2nd Follow-Up Audit No. A2013-02

INHERENT LIMITATIONS

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that procedures may become inadequate due to changes in conditions, or that the degree of compliance with the procedures may deteriorate.

CONCLUSION

We have concluded our audit work on the objectives of the 2nd Follow-Up Audit – Environmental Services Accounts Payable Audit. In accordance with Generally Accepted Government Auditing Standards we are required to conclude on whether the Environmental Services Department met the objectives of this audit. The following is our conclusion.

1. The Environmental Services Accounts Payable function is complying with the City of El Paso's Travel Manual in the following areas:
 - The calculation of miscellaneous expenses.
 - Submission of receipts to support travel expenses.
2. The Environmental Services Department has not met the objectives in the following areas:
 - Accurate calculation of the Per Diem rates for Meals and Incidentals.
 - Final reconciliation of travel expenses upon completion of their travel.

The Environmental Services' Management will assume the risks of not fully implementing the recommendation contained in Finding #3. The Internal Audit Office will not be scheduling additional work on this audit. The Environmental Services Department can expect future audit work in the area of accounts payable.

We wish to thank the Environmental Services' Management and Staff for their assistance and courtesies extended during the completion of this 2nd Follow-Up Audit.

Signature on File
Edmundo S. Calderón, CIA, CGAP, CRMA, MBA
Chief Internal Auditor

Signature on File
Laura Prine
Auditor

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